ANNEXURE F

BUDGET RELATED POLICIES

NEWCASTLE MUNICIPALITY

BUDGET POLICY

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1. PREAMBLE

1.1 In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

1.2 In terms of chapter 4, Section 21 (1) the mayor must co-ordinate the processes for preparing the annual budget and budget-related policies.

1.3 This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

2. OBJECTIVES OF THE POLICY

2.1 This policy sets out the budgeting principles and procedures which Newcastle Municipality will follow in preparing each annual budget, as well as the roles and responsibilities of various officials and Office Bearers in the compiling such budget. The policy seeks to give effect to the requirements of the Municipal Finance Management Act, Act 56 of 2003 read with Municipal Budget and Reporting Regulations of 2009 in terms of preparation, approval, implementation and management of the annual budgets.

2.2 This policy is intended to ensure:

2.2.1 that there is efficient and effective preparation of reliable budget and forecasts and monitoring of actual results against plans and programmes.

2.2.2 that the municipality keeps records of and is able to report on output delivery according to the performance measures contained in the Integrated

Development Plan (IDP) and Service Delivery Budget Implementation Plan (SDBIP) and strategic plan.

2.2.3 the Strategic Executive Directors and Treasury and Budget Office have implemented proper monitoring and control of budgets.

2.2.4 that the Mayor exercise proper general political guidance over the fiscal and financial affairs of the municipality

2.2.5 that the council plays an effective oversight role in fiscal and financial affairs of the municipality.

3. SCOPE OF THE POLICY

This policy shall apply to the Council, Executive Committee, Finance Portfolio Committee, Budget Steering Committee, Accounting Officer, Strategic Executive Directors and all officials who have a formal and administrative duty to prepare, manage and control the municipality's budget.

4. APPLICABLE LEGISLATION

4.1 Budget process and management is regulated in terms of the Municipal Finance Management Act, Act 56 of 2003 (MFMA):-

4.1.1 Chapter 4 of the MFMA deals with the municipal budgets.

4.1.2 Chapter 7 of the MFMA deals with the responsibilities of the Mayor in relation to budget processes and related matters as well as the fiscal and financial affairs of the municipality.

4.1.3 Chapter 8 of the MFMA deals with the responsibilities of the municipal officials in relation, among others, budgeting processes, revenue and expenditure management and reporting.

4.1.4 Chapter 9 of the MFMA deals with the municipal budget and treasury offices.

4.2 Municipal Budget and Reporting Regulations of 2009 which is aimed at securing sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibilities in the budgeting and reporting processes within the municipality.

4.3 The Medium Term Revenue and Expenditure Framework guidelines issued by National Treasury from time to time also provide guidance in the budgeting process and management.

4.4 The budget circulars and practice notes issued by National Treasury from time to time also provides guidance in the budgeting process and management.

4.5 Annual Division of Revenue Act in so far as those chapters dealing with equitable share allocation and all other conditional grants to the municipalities.

4.6 Furthermore chapter 5, section 25(1) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) states that a municipality shall undertake developmentally oriented planning. It must be a single, inclusive and strategic plan in the form of an Integrated Development Plan. This must form the policy framework and general basis on which the annual budgets must be based.

5. ROLES AND RESPONSIBILITIES

The primary responsibilities and accountabilities in relation to budgeting process and management rest with the Council, Executive Committee, Budget Steering Committee, Mayor, Accounting Officer, Strategic Executive Director for Financial Services, Strategic Executive Directors for other municipal departments, the Director for Budget and Financial Reporting as well as the officials in the Budget Office.

5.1 Role of Council

5.1.1 As stipulated in chapter 4, section 16 (1) of the MFMA the council must for each financial year approve an annual budget for the municipality before the start of a financial year. Before approval of the annual budget the council is expected to interrogate the annual budget and also plays an oversight role in budget preparation, implementation, management and reporting.

5.1.2 To the extent as required by chapter 4, section 24 (1) & (2) of the MFMA, the council when approving the annual budget, shall ensure full compliance with all subsections under section 24.

5.1.3 When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area.

5.2 Executive Committee

The Executive Committee is responsible for examining of the budget, providing guidance among others on the budgetary process and expenditure management and oversight role.

5.3 Role of Budget Steering Committee

5.3.1 The Mayor of the Municipality shall establish a Budget Steering Committee as required by Regulation 4 of the Municipal Budgeting and Reporting Regulations. The steering committee shall consist of the following g persons:

(a) the councilor responsible for financial matters (chairperson of the Finance Portfolio Committee);
(b) the Accounting Officer;
(c) the Strategic Executive Director for Financial Services Department;
(d) Strategic Executive Directors responsible for at least three largest departments in terms of budget allocation in the municipality;
(e) Director for Budget Planning, Implementation, Supply Chain Management and Financial Reporting;
(f) Manager responsible for the compilation of budget;
(g) Director responsible for planning; and
(h) Any technical experts in infrastructure.

5.3.2 The Municipality may opt to use the Management Committee (MANCO) as Budget Steering Committee as well as IDP Steering Committee.

5.3.3 The Budget Steering Committee as stipulated under chapter 2, clause 4(1) of the Municipal Budget and Reporting Regulations must provide technical assistance to the Mayor in discharging the responsibilities set out in sections 53 and 54 of the MFMA.

5.4 Role of Mayor

5.4.1 As provided in Section 21(1) of the MFMA, the Mayor is responsible for:

5.4.1.1 Coordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan ("IDP") and budget related-policies;

5.4.1.2 At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines, as contemplated in section 21(1) (b) of the MFMA.

5.4.2 In so far as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor shall comply with all subsections of the above section.

5.4.3 Pursuant to Section 52 of the MFMA the mayor must:

5.4.3.1 provide general political guidance over the fiscal and financial affairs of the municipality, and present the budget to the community of Newcastle and consider of their input.

5.4.3.2 In providing such general political guidance monitor and to the extent provided in the MFMA, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the Strategic Executive Director: Budget and Treasury Office, but may not interfere in the exercise of those responsibilities;

5.4.3.3 take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

5.4.3.4 within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

5.4.3.5 comply with all other subsections of under this section of the MFMA.

5.4.4 In so far as provided in Section 53 of the MFMA, for purposes of the budget process and related matters, the Mayor shall comply with all subsections of the above section as per the MFMA.

5.4.5 As required by Section 58 of the MFMA, the Mayor shall exercise his/her powers and functions assigned by the MFMA in consultation with the executive committee.

5.5 Role of Accounting Officer

5.5.1 The Accounting Officer shall be responsible for the following functions in terms of Section 68 of the MFMA:

5.5.1.1 Assisting the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapter 4 and 7 of the MFMA; and

5.5.1.2 Providing the Mayor with the administrative support, resources and information necessary for the performance of those functions.

5.5.2 The Accounting officer shall ensure that all heads of departments provide the inputs required by the Strategic Executive Director: Budget and Treasury Office for the purpose of preparing the budget, and to that end, each Strategic Executive Director shall prepare and submit to the Strategic Executive Director: Budget and Treasury Office by 28 February of each year a draft budget for his or her department; provided that nothing contained in this section shall derogate from the responsibility of the Strategic Executive Director for Financial Services of preparing the municipal budget as provided for in subsection 5.6.1 below.

5.5.3 The accounting officer shall comply with all requirements of the Sections 69, 70, 71, 72, 73, 74, 75 and 76 of the MFMA and ensuring that the operations of the municipal council are achieved within the approved budget and financial targets; and allocation of funds within the departments.

5.6 Role of Strategic Executive Director: Budget and Treasury Office

5.6.1 Without derogating in any way from the legal responsibilities of the Mayor and Accounting Officer, the Strategic Executive Director: Budget and Treasury Office shall be responsible for preparing the budget of the municipality as a line function responsibility.

5.6.2 The Accounting Officer shall delegate in terms of Section 79 of the MFMA to the Strategic Executive Director: Budget and Treasury Office all such powers as may be necessary him or her to perform the above mentioned function.

5.6.3 The Strategic Executive Director: Budget and Treasury Office shall ensure that the annual and adjustments budgets comply with the requirements of the National

Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

5.6.4 The Strategic Executive Director: Budget and Treasury Office shall, with the approval of the mayor and the municipal manager, and considering the municipality's current financial performance determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

5.6.5 The Strategic Executive Director: Budget and Treasury Office is responsible for:

5.6.5.1 Budget process management.

5.6.5.2 Ensure that the budget is funded, credible and realistic

5.6.5.3 Advice to the Accounting Officer, Mayor, Executive Committee, Finance Portfolio Committee and Strategic Executive Directors for all departments on budget process and expenditure management matters.

5.6.5.4 Provide guidance and support to the Director: Budget and Financial Reporting as well as the officials in the division dealing with the budget process.

5.6.5.5 Overall management of the provision of monthly financial performance reports to the Strategic Executive Directors by 5th working day of the following month.

5.6.5.6 Overall management and coordinating budget estimates.

5.6.5.7 Ensuring overall integrity of information in the financial system;

5.6.5.8 Explanation of reasons for significant trends and changes in budget amounts.

5.7 Role of Strategic Executive Directors

5.7.1 The Strategic Executive Directors are responsible for:

5.7.1.1 The provision of their budget requirements within the timelines as set out by the Accounting Officer and the Strategic Executive Director: Budget and Treasury Office.

5.7.1.2 Monthly review of expenditure against budget.

5.7.1.3 Submission of variance explanations to the Strategic Executive Director: Budget and Treasury Office Services within five working days of receipt of monthly financial performance reports and expenditure, which is greater or

less than five percent from budget for Goods and Services and related costs;

5.7.1.4 Advising the Strategic Executive Director: Budget and Treasury Office of significant accruals two working days before month end;

5.8 Role of Director: Budget and Financial Reporting

5.8.1 The Director: Budget and Financial Reporting as well as the officials in the division dealing with the budget process are responsible for the initiation, collation, analysis of information for budget process and preparing monthly financial performance reports to the Strategic Executive Director: Budget and Treasury Office for further review.

6. BUDGET PRINCIPLES

The council shall adopt three-year budget statements for the ensuing financial year's budgets. The budget statement shall be the focal point of the budget, and shall be linked to the IDP. The budget and IDP review process are to run concurrently.

6.1 Contents of Budget

6.1.1 The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:

6.1.1.1 The budget must be in the format prescribed by the regulations;

6.1.1.2 The budget must reflect the realistically expected revenues by major source for the budget year concerned;

6.1.1.3 The budget must contain all 7 segment in line with mSCOA regulations and all processes must be done on the financial system, including budgeting and reporting;

6.1.1.4 The budget must also contain:

6.1.1.4.1 the foregoing information for the two years immediately succeeding the financial year to which the budget relates;

6.1.1.4.2 the actual revenues and expenses for the previous financial year, and

6.1.1.4.3 the estimated revenues and expenses for the current year.

6.1.2 The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.

11.3. For the purposes of Section 17(3)(k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

6.2 Funding of Expenditure

6.2.1 The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:

6.2.1.1 the capital component, and

6.2.1.2 the operating component.

6.2.2 In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:-

6.2.2.1 Realistically anticipated revenues to be collected;

6.2.2.2 Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and

6.2.2.3 Borrowed funds, but only for capital projects.

6.2.3 Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Regulations.

6.2.4 An impending operating **deficit** shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

6.3 Capital Budget

Capital budget refers to the allocation made to specific infrastructure projects and purchase of equipment and other forms of assets having a life span of more than one year and cost value of as determined in the Asset Management Policy of the municipality.

6.3.1 Basis of Calculation

6.3.1.1 Except in so far as capital projects represent a contractual commitment to the Newcastle Municipality extending over more than one financial year, the annual capital budget shall be prepared from a **zero base**.

6.3.1.2 The capital budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

6.3.1.3 The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.

6.3.1.4 In addition, the council shall consider the likely impact of such operational expenses – net of any revenue expected to be generated by such item – on future property rates and service charges.

6.3.2 Financing of Capital Budget

6.3.2.1 The Strategic Executive Director: Budget and Treasury Office shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

6.3.2.2 The provisions of Regulation 11 of the Municipal Budgeting and Reporting Regulations of 2009 shall be complied with in relation to the funding of capital expenditure.

6.3.2.3 Any **surplus** from previous financial years not appropriated, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the Municipality's asset financing reserve.

6.3.2.4 Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in 6.3 below.

6.3.2.5 Each department head shall, prior to providing for any expenditure in respect of any capital item in the budget of his or her department's budget, and in any event no later than 31 January prepare and submit to the Strategic Executive Director: Budget and Treasury Office a business plan relating to such capital item, which business plan shall contain the following information regarding such item:

- A full description;
- Its purpose;
- The expected beneficiaries ;
- Alternative means of providing the same benefits;
- An acquisition, construction and implementation plan (as applicable);
- The expected useful life;
- The principal cost;
- The sources of funding;
- A schedule of financing costs;
- A maintenance plan;
- A schedule of maintenance costs;
- A depreciation schedule; and
- Insurance costs.

6.4 Operational Budget

Operational budget refers to the funds that would be raised in the delivery of basic service, grants and subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the municipality

The operating component shall duly reflect the impact of the capital component on:

- depreciation charges;
- repairs and maintenance expenses;
- interest payable on external borrowings; and
- other operating expenses.

6.4.1 Basis of Calculation

6.4.1.1 The incremental approach is used in preparing the annual operating budget in respect of employee costs, councillors remuneration, bulk purchases. All other expenditure shall be estimated using the zero based method of budgeting.

6.4.1.2 The annual operating budget shall be based on realistically anticipated revenue, which should be least cover the anticipated operating expenditure in order to result in a balanced budget.

6.4.1.3 An income based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a balanced budget.

6.4.2 Financing

Services charges shall be based on the tariff growth rate as agreed upon plus a growth rate of the town. The operating budget shall be financed from the following sources:

(a) Service Charges
  (i) Property Rates;
  (ii) Electricity sales;
  (iii) Water sales;
  (iv) Sewerage; and

(v) Refuse

(b) Grants and Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the municipality.

(c) Interest on investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the municipality.

(d) Interest on outstanding debtors

The budget for interest and investment shall be in accordance with the Credit Control and Debt Collection policy of the municipality.

(e) Fines

Fines shall be estimated based on the fines and summons issued in the previous financial year and any law enforcement measures implemented by the municipality.

(f) Licences

Licences shall be estimated based on estimated based on licences and rates granted by the municipality.

(g) Sundry revenue

Sundry revenue shall refer to any other revenue which does not fall -in the ambits of any revenue source above. It shall be estimated based on the trends of the current of previous financial year.

(d) Repairs and Maintenance

The budget of repairs and maintenance shall be zero based as determined by the needs of the department in terms of repairing their assets. The municipality shall strive to meet the benchmark of 8% for repairs and maintenance depending on the affordability. Departments should submit procurement plans when budgeting for repairs and maintenance in line with circular 98.

(e) Contracted Services

In line with mSCOA requirements the municipality is required to distinguish between "Outsourced Services, Contractors and Professional and Special Services". Departments must be specific when providing for contracted services.

The municipality shall develop the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff. The reasons might include temporary incapacity or the outsourcing of services to save costs, for example cleaning, security and recruitment. In evaluating the classification of outsourced services it should be established whether the services being procured could have been provided by the municipality itself. It could also be that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs. That is classified as outsourced.

Consulting services shall refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore a consultant is a professional person appointed by the department to provide technical and specialist advice or to assist with design and implementation of specific projects/programs.

Contractors are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks. This does not include amounts payable to contractors in respect of provision of services such as cleaning and security even if a staff element can be identified. Note also that it is common practice that the said contractor provides all the materials required for the project - he/she tenders for the whole project, materials included.

Capital Expenses

Capital expenses refer to interest and redemption that has to be repaid on an external loan taken up by the Council. The budget for capital expenses will be determined by the repayments that the municipality is liable for based on the agreement entered into with the financial institution.

(e) Contributions to Capital

A global amount that will be spent on the acquisition of small capital items is determined. The needs of departments in terms of small items will be prioritised to enable the allocation of funds for such items.

(f) Contributions to Funds

Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

6.5 Provisions

6.5.1 Accrued leave

The Municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget, as well as for staff benefits, including post-retirement benefits.

6.5.2 Provision for bad debts

The Municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget with due regard to the implementation and compliance with the Credit Control and Debt Collection Policy.

6.5.2 Obsolete and deteriorated stock

The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

6.5.3 Depreciation & Interest

All expenses, including depreciation expenses, shall be **cash-funded**. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

Finance charges payable by the Municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the

fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality.

The allocation of **interest earned** on the Municipality's investments shall be budgeted for in terms of the banking and investment policy.

The Municipality shall adequately provide in each annual and adjustments budget for the maintenance of its **fixed assets** in accordance with its fixed asset management policy. At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

The budget for **salaries, allowances and salaries-related benefits** shall be separately prepared, and shall not exceed 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

7 BUDGET PROCESS

7.1 *Medium Term Expenditure Revenue Framework*

The Medium Term Expenditure Revenue Framework (MTERF) details 3 year rolling expenditure and revenue plan for Newcastle Municipality. The MTERF budget process is designed to match the overall resource envelop, estimated through "top-down" macroeconomic and fiscal policy process with the bottom up estimation of the current and medium term cost of existing departmental plans and expenditure programmes

The budget process allows the Council to:-

(a) Strengthen and evaluate the alignment between medium and long-term plans and funding proposals;
(b) Revise its policy priorities, macroeconomic framework and revenue envelop;
(c) Evaluate departmental plans and allocate available resources in line with the policy priorities;
(d) Obtain the required authority from Council to spend (service delivery);
(e) Align parameter settings with budget outcomes and resource allocations

7.2 *Integrated Development Plan Formulation*

The Integrated Development Plan (IDP) process is a process through which the municipality prepare strategic development plans for a five-year period. An IDP is one of the key instruments for local government to cope with its new developmental role and seeks to arrive at decisions on issues such as municipal budgets, land management, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner.

In order to ensure certain minimum quality standards of the IDP Review process and proper coordination between and within spheres of government, the municipality need to prepare an IDP review process plan and formulate a budget to implement the IDP. The IDP and Budget Process Plan has to include the following:

(a) A programme specifying the timeframes for the different planning steps;
(b) Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities and other role players in the IDP review and budget formulation processes; and
(c) Cost estimates for the review process.

The preparation of the IDP process plan is in essence the formulation of the IDP and Budget processes, set out in writing and requires the adoption by Council.

7.3 ***Legal planning context***

The preparation of the IDP and Budget processes are regulated by the Municipal Systems Act, No 32 of 2000 and the Municipal Finance Management Act, No 56 of 2003. This is to ensure certain minimum quality standards of the integrated development planning and budget process and proper coordination between and within the spheres of government.
As the IDP is a legislative requirement it has a legal status and it supersedes all other plans that guide development at local level.

The Municipal Systems Act, No 32 of 2000 (as amended) and the Municipal Finance Management Act, No 56 of 2003 confer the responsibility on the Mayor to provide political guidance over the budget process and the priorities that must guide the preparation of the annual budgets. In terms of section 53 of the Municipal Finance Management Act the Mayor must also coordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the

purpose of the budget. The Municipal Systems Act further requires the following regarding the IDP process:

Chapter 5 and Section 25 (1) of the Municipal Systems Act (2000) indicate that the Council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which:-

(a) Links integrates and coordinates plans and takes into account proposals for the development of the municipality;
(b) Aligns the resources and capacity of the municipality with the implementation of the plan;
(c) Complies with the provisions of this Chapter; and
(d) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

7.4 ***Alignment between IDP, Budget and PMS***

In terms of the Municipal Systems Act, municipalities are required to prepare an organisational performance management system that must be linked to the IDP. Tremendous progress has been made with the process of aligning the IDP, Budget and Performance Management System (PMS). Every endeavour is made to link and integrate these three processes to an even greater extent through the Process Plan. It should however, be noted that the PMS on its own requires an in-depth process comparable to that of the IDP. Such PMS is tightly linked and guided by the IDP and Budget processes. The PMS process will address the following issues:

(a) Alignment of the PMS, Budget and IDP processes;
(b) Implementation of an individual performance management system at managerial level.

The IDP, performance management systems (PMS) and budget are all components of one overall development planning and management system. The IDP sets out what the municipality aims to accomplish and how it will do this. The PMS enables the municipality to check to what extent it is achieving its aims. The budget provides the resources that the municipality will use to achieve its aims. As indicated earlier, every attempt has been made in this process plan to align the IDP and PMS formulation and/or review, and the budget preparation process.

7.5 *Medium Term Policy Review*

7.5.1 The budget process starts early in the year with a review of the IDP and budget processes of the previous year.

7.5.2 The Strategic Executive Director: Budget and Treasury Office commences the process in July of each year by preparing a draft Medium Term Budget Statement. The Medium Term Budget Statement is a document that spells out the planning for the ensuing three years. This process also includes the review of the previous year's budget process and completion of the Budget Evaluation checklist.

7.5.3 The Strategic Executive Director: Budget and Treasury Office draws up a budget process plan with time schedule outlining key deadlines for preparing, tabling and approving the budget and reviewing the IDP and budget related policies and consultation process at least 10 months before the start of the budget year. This budget process plan is then incorporated into the main process plan which includes IDP and PMS as these processes go hand in hand.

7.5.4 The Strategic Executive Director: Budget and Treasury Office Services tables the draft Medium Term Budget Statement and the budget process plan to the MANCO (Accounting Officer and Strategic Executive Directors) for discussion. At this forum options and contracts for service delivery are reviewed.

7.6 *August Activities*

7.6.1 The draft Medium Term Budget Statement and the budget process plan are tabled at the Finance Portfolio Committee for consideration, input and recommendations to Exco.

7.6.2 The Mayor tables at the Council meeting a time schedule outlining key deadlines for preparation, tabling and approving the budget.

7.7 *September Activities*

7.7.1 Advertising of the Budget/IDP/PMS key deadlines.

7.7.2 Budget and Treasury Office engages with the provincial, national sector departments and other national public entities on specific programmes for alignment with municipality plans.

7.7.3 The budget parameters are set with the Executive Committee, Budget Steering Committee, and Management Committee.

7.8 ***October Activities***

The Strategic Executive Director: Budget and Treasury Office:-

7.8.1 Reviews the national policies and budget plans and potential price increases of bulk resources.

7.8.2 Determines revenue projections and policies.

7.8.3 Engage with sector departments, share and evaluate plans, MTBPS.

7.8.4 Draft initial allocations to functions.

7.9 ***November/December Activities***

7.9.1 The Strategic Executive Director: Budget and Treasury Office consolidates budgets and plans.

7.9.2 The Budget Steering Committee reviews the consolidated budget and plans and prepare proposed budget.

7.9.3 The Executive Committee determines the strategic choices for the ensuing three years and finalizes tariff policies.

7.9.4 Basis and assumptions for revenue are determined.

7.9.5 Fixed cost are projected.

7.9.6 Preparation of budget guidelines.

7.9.7 Submission of guidelines to portfolio for council for approval.

7.10 *January/February Activities*

7.10.1 The Accounting Officer reviews proposed national and provincial allocations to the municipality for incorporation into the draft budget for tabling. Proposed national and provincial allocations for ensuing three years must be finalized not later than 20 January of each year.

7.10.2 The Strategic Executive Director: Budget and Treasury Office prepares detailed budgets and plans for the ensuing three years.

7.10.3 The Accounting Officer finalizes and submits to the Mayor the proposed budgets and plans for the ensuing three years taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous year's audited annual financial statements and annual report.

7.10.4 Submission of budget guidelines to Departments

7.10.5 Budget workshop for explanation of guidelines

7.11 *March/April Activities*

7.11.1 The Accounting Officer reviews any changes in the prices for bulk resources for publication not later than 15 March each year.

7.11.2 The Mayor tables the budget at the council meeting for deliberations and adoption not later than 31 March of each year.

7.11.3 Budget is captured and data strings are corrected in the financial system

7.11.4 Finalize operational and capital budget and budget related policies.

7.11.5 Budget/IDP Strategic Workshop to discuss budget inputs, link capital and operational plans to the IDP, and determine proposed tariffs.

7.11.6 Link all IDP projects to budget & PMS

7.11.7 Immediately after the budget has been tabled at the council meeting, the Accounting Officer must in accordance with Chapter 4 of the Municipal Systems Act make public the annual budget and the documents referred to in section 17 (3) of the MFMA. The Accounting Officer must invite the local community to submit representations in connections with the budget.

7.11.8 The Accounting Officer must submit the annual budget in both hard and soft copies to the National Treasury and KwaZulu-Natal Provincial Treasury.

7.11.9 When the budget has been tabled, the municipal council must consider any views of the local community, National Treasury, KwaZulu-Natal Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

7.11.10 After considering all budget submissions, the council must give the Mayor an opportunity to respond to the submissions and if necessary, to revise the budget and table amendments for consideration by the council.

7.12 ***May Activities***

The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget in accordance with Section 24 of the MFMA.

8 ADJUSTMENT BUDGET

8.1 Each adjustment budget shall reflect realistic excess, however nominal of current revenues over expenses.

8.2 Section 28(2) (d) of the MFMA provides that an adjustment budget may authorize utilization of projected savings in one vote towards spending in another vote. However, virements between the votes should only be permitted where the proposed shifts in funding facilitate sound risk and financial management.

8.3 The municipal council may revise an approved budget through an adjustment budget. In adjusting its approved budget the municipal council shall do it in accordance with Section 28 of the MFMA.

8.4 The Strategic Executive Director: Budget and Treasury Office shall ensure that the adjustment budgets comply with the requirements of the National Treasury and reflect the budget priorities determined by the Mayor, are aligned with the IDP, comply with all budget related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget related policies where these are necessary.

8.5 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy and MFMA provisions or MFMA circulars and guidelines issued by National Treasury from time to time or any other policy or the municipality is prohibited unless approved by the council through an adjustment budget.

8.6 Council may revise its annual budget by means of an adjustment budget only once per year.

8.7 The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

8.8 The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programme already budgeted for or any areas of critical importance identified by Council in compliance with the MFMA.

8.9 The Council shall in such adjustment budgets, and within the prescribed framework, confirms unforeseen and unavoidable expenses on the recommendation of the Mayor.

8.10 The Council should also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by Council.

9 BUDGET TRANSFERS & VIREMENTS

9.1 ***Restrictions***

9.1.1 Virements from the capital budget to operating budget and virements towards personnel expenditure shall not be permitted.

9.1.2 Virements to and from the following items shall not be permitted

(a) Bulk purchases;

(b) Debt impairment;
(c) Interest charges;
(d) Depreciation;
(e) Conditional Grants;
(f) Revenue foregone;
(g) Insurance; and
(h) Value Added Tax

9.1.3 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

9.1.4 A transfer of funds between line items shall not be done if the effect thereof would result:-

9.1.4.1 In alteration of the approved outcomes or outputs of the IDP;
9.1.4.2 In any adjustment to the Service Delivery and Budget Improvement Implementation Plan;
9.1.4.3 In any changes to the staff establishment of the municipality, except if the council approves such change.

9.1.5 Transfer for funds that have been specifically ring-fenced shall not be permitted.

9.1.6 Transfer of funds between or from capital items or projects.

9.1.7 To the extent that it is practical to do so, transfers within the first three months are not permitted.

9.1.8 Transfers may not be made from a line item administered by one department to a line items administered by another department.

9.2 *Authorization of Virements*

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy or MFMA or national MFMA circulars and guidelines which are issued by National Treasury from time to time authorized as follows:-

9.2.1 A request for virement of an amount not exceeding R100 000.00 may be approved by the by the Strategic Executive Director of the department in consultation with the Strategic Executive Director: Budget and Treasury Office.

9.2.2 A request for virement of an amount above R100 000 shall be the Executive Committee, having obtained budget comments from the Strategic Executive Director: Budget and Treasury Office.

9.2.3 A transfer of funds from one item to another may take place only if savings within the first mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

9.3 ***Limitations of Amount of Virements***

9.3.1 Notwithstanding the provisions of paragraph 9.2:-

9.3.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 20% of the amount allocated to that vote.

9.3.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 20% for the total operating budget for that year.

9.3.1.3 The amount of any single transaction relating to transfer of funds between the line items may not exceed the sum of R 100 000.00

9.3.2 A transfer which exceeds, or which would result in exceeding of any of the thresholds referred to in paragraph 9.3.1 above may, however, be authorized through a Executive Committee resolution.

10 BUDGET IMPLEMENTATION

10.1 Monitoring

10.1.1 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office and other Strategic Executive Directors is responsible for the implementation of the budget, and must take reasonable steps to ensure that:-

10.1.1.1 Funds are spent in accordance with the budget, expenses are reduced if expected revenues are less than projected and revenues and expenses are properly monitored

10.1.2 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office must prepare any adjustment budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

10.1.3 The Accounting Officer must report in writing to the Council any impending shortfalls in the Annual Revenue Budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11 REPORTING

The Accounting Officer shall report on quarterly basis all transfers to the Mayor, Finance Portfolio and Executive Committees.

11.1 ***Monthly Budget Statements***

11.1.1 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office must, not later than ten working days after the end of each calendar month, submit to the Mayor, Finance Portfolio and Executive Committees, KwaZulu-Natal Provincial Treasury and National Treasury a report in the prescribed format on the state of the Municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the Financial Year to date. This report must reflect the following:-

(a) Actual revenues per source, compared with budgeted revenues;
(b) Actual expenses per vote, compared with budgeted expenses;
(c) Actual Capital Expenditure per vote, compared with budgeted expenses;
(d) Actual borrowings, compared with the borrowings envisaged to fund the Capital Budget;
(e) The amount of allocations received, compared with the budgeted amount;
(f) Actual expenses against allocations, but excluding expenses in respect of equitable share;

(g) Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the Service Delivery and Budget Implementation Plan;

(h) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

(i) Projections of the Revenues and Expenses for the remainder of the Financial Year, together with an indication of how and where the original projections have been revised.

11.1.2 The report to the National Treasury must be both in electronic and signed hard copies.

11.2 *Quarterly Reports*

The Mayor must submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

11.3 *Mid-Year Budget and Performance Assessment*

11.4 The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the Service Delivery Performance of the municipality as against the Service Delivery Targets and Performance Indicators which are set in the Service Delivery and Budget Implementation Plan.

11.5 The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January of each year and to Finance Portfolio and Executive Committees, Council, KwaZulu-Natal Provincial Treasury and National Treasury by 31 January of each year.

11.6 The Accounting Officer may in such report make recommendations after considering the recommendation of the Strategic Executive Director: Budget and Treasury Office for adjusting the annual budget through adjustment budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan

12 UNSPENT FUNDS & ROLLOVER OF BUDGET

12.1 The appropriation of funds in an annual or adjustment budget will lapse to the extent that they are spent by the end of the relevant budget year, but except for funds relating to Capital Expenditure.

12.2 Only unspent grants (if conditions for such grant funding allows that) or loan funded Capital Budget may be rolled over to the next budget year.

12.3 Conditions of the grant fund shall be taken into account in applying for such rollover of funds.

12.4 Application for rollover of funds shall be forwarded to the budget office no later than 30th of April each year to be included in the following year's budget for adoption by Council in May each year.

12.5 Budget adjustments to be rolled over shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.

12.6 No funding for projects funded from the Capital Replacement Reserves shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (31 March each year) prior the end of that particular financial year.

12.7 No unspent operating budget shall be rolled over to the next budget year.

13 IMPLEMENTATION OF THIS POLICY

13.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director: Budget and Treasury Office.

13.2 The policy shall be reviewed on annual basis and updated if there are any changes brought about through an amendment of any legislation and/or policies by National Treasury or arrangement within the municipality.

The Accounting Officer must place on the municipality's official website the following:-

(a) The Annual and Adjustment Budgets and all budget related documents;

(b) All budget related policies;

(c) The Integrated Development Plan;

(d) The Annual Report;

(e) All Performance Agreement of Section 57 Managers;

(f) All long-term borrowing contracts;

(g) All Service Delivery Agreements;

(h) All quarterly and mid-year term reports submitted to the Council on the implementation of the budget and the financial state of the municipality.

13.3 This policy must be read together with the Funding and Reserves and Borrowing Policies; Local Government Municipal Finance Management Act, Act 56 of 2003; and Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

NEWCASTLE MUNICIPALITY

TARIFF POLICY
2020/2021

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1. Preamble

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – "that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act" (MSA).

In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

2. Definitions

In this policy:

"**municipal area**" means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

"**municipal council**" means a municipal council referred to in section 157 of the Constitution.

"indigent households" means those households in the municipal area whose monthly household income is no more than an amount as determined by Council annually and are included in the indigent register.

"the Act" means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).

3. Introduction

One of the primary functions of a local authority is to provide services to the people within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided.

They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

4. Tariff principles

4.1 Users of municipal services must be treated equitably. The various categories of customers must pay the same charges based on the same cost structure[1].

4.2 The amount payable must be in proportion to usage[2].

4.3 Indigent households must have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Integrated Development Plan[3].

4.4 Tariffs must reflect the total cost of the service[4].

4.5 Tariffs must be set at a level that facilitates the sustainability of the service.[5] Sustainability can only be achieved when:

(i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts must be made.
(ii) Access to the capital market is maintained. This can be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.

4.6 Provision must be made in appropriate circumstances for a surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required[6].

4.7 Efficient and effective use of resources must be encouraged. Penalties to promote the economic use of services as well as the conservation of water may be introduced.

4.8 The extent of subsidisation of tariffs should be fully disclosed.

4.9 On closure of the municipal account, a charge for the final reading shall be levied thereon.

4.10 The tariff structure of Newcastle may make provision for the differentiation between different categories of customers, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination[7]. Where there is a substantial difference between the standard of services provided within a specified category, the Council can determine differentiated tariffs within the specified category.

4.11 Municipal use will be deemed an exempt service.

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1 Section 74(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
2 Section 74(2) (a) of Act 32 of 2000.
3 Section 74(2) (c) (i) and (ii).
4 Section 74(2) (d)
5 Section 74(2) (e)
6 Section 74(2) (f)
7 Section 74(3)

5. Expenditure classification and cost elements

The Chief Financial Officer shall, subject to the guidelines of the Executive Committee of the Council, make provision for the following classification of services:

5.1 Trading services

These are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services. The consumption of the services is measurable and can be accurately apportioned to an individual consumer.

5.2 Economic services

These are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers. No surplus or deficit should be incurred.

5.3 Community services

These are services that the Council has classified as such and the tariffs have been compiled with the intention that the cost of the services cannot be recovered from public service charges. The service may be of a regulatory nature and the Council is usually unable to accurately determine the individual consumption.

5.4 Subsidised services

These are municipal services which are provided at an applicable rate which is less than the cost of actually providing the service, including services provided to customers at no cost. The cost of providing the service is usually such that it would not necessarily be affordable to the community.

5.5 Cost elements

The following cost elements will be used to calculate the tariffs of the different services:

(i) *Fixed costs* are costs which do not vary with consumption or volume produced and which consist of the capital costs (interest and redemption) on external loans and or depreciation; whichever are applicable on the service and any other costs of a permanent nature as determined by the Council from time to time.

(ii) *Variable cost:* These are costs that vary with consumption or volume produced and include all variable costs that have reference to the service.

(iii) *Total cost* is equal to the fixed cost plus variable cost.

(iv) *Flat rate:* This cost is calculated by dividing the total costs by volume used.

6. Tariffs

6.1 The tariffs are reviewed annually during the preparation of the budget and the proposed tariffs are presented to the community during the Council's budget consultative process prior to the approval of the final budget by the Council.

6.2 In setting service charges the Council shall:

(i) accurately reflect costs to achieve economic efficiency;
(ii) ensure equity and fairness between different types of consumers;
(iii) utilise appropriate metering and supporting technology;
(iv) be transparent; and
(v) extend assistance to the poor by giving preference to single tariffs where possible.

6.3 In determining the type of tariff applicable to the type of service the Council may make use of the following four options or a combination of the same:

(i) *Single tariff:* This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through a unit charge at the level of breakeven consumption.
(ii) *Cost related two to four part tariff:* This tariff shall consist of two to four parts. They are raised to cover the fixed and variable costs separately. The fixed costs are recovered by grouping certain components together and may be recovered by a fixed charge while the variable costs may be recovered by a unit charge per unit consumed.
(iii) *Inclining block tariff:* This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.
(iv) *Declining block tariff:* This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

7. Unit of measurement

The following units of measurement will, where possible, be used to determine tariffs:

7.1 Water

(i) Cost per kilolitres consumed
(ii) Basic/availability charge - based on the fixed cost associated with the service
(iii) When consumption is not measured a flat rate will be applicable.
(iv) When consumption cannot be read for a particular meter reading period, an estimate amounting to a 12 month average shall be levied on the account.

7.2 Electricity

(i) Basic/availability charge - based on the fixed cost associated with the service
(ii) Cost per kWh consumed
(iii) Cost per Kilovolt-ampere (kVA)

(iv) Maximum demand – Network demand charge and network access charge
(v) When consumption is not measured a flat rate will be applicable.
(vi) When consumption cannot be read for a particular meter reading period, an estimate amounting to a 12 month average shall be levied on the account.

7.3 Refuse removal

(i) Bag removal
(ii) Container Service
(iii) Rental of containers
(iv) Individual services as required

7.4 Sewerage

(i) Per kilolitre of water consumption
(ii) Per kilolitre of water consumption plus costs for strength of disposal.
(iii) Basic/availability charge - based on the fixed cost associated with the service.

8. By-laws

The principle contained in this policy will be reflected in the various service by-laws as adopted and adjusted by Council from time to time.

NEWCASTLE MUNICIPALITY

DRAFT RATES POLICY

2020/2021

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PART ONE: PREAMBLE

Whereas:

1.1 Section 229 of the Constitution of the Republic of South Africa (Act 108 of 1996) provides that a municipality may impose rates on property;

1.2 The Local Government: Municipal Property Rates Act (Act 6 of 2004) regulates the power of a municipality to impose rates on property;

1.3 In terms of the Municipal Property Rates Act a municipality:

1.3.1 may levy a rate on property in its area; and

1.3.2 must exercise its power to levy a rate on property, subject to:

(a) section 229 and any other applicable provisions of the Constitution;

(b) the provisions of the Municipal Property Rates Act; and

(c) its rates policy;

1.4 The Newcastle Municipal Council has resolved to levy rates on the market value of all rateable properties within its area of jurisdiction;

1.5 The municipality must, with regard to section 3 of the Municipal Property Rates Act, adopt a rates policy consistent with the provisions of the said Act on the levying of rates in the municipality;

1.6 In terms of section 4 of the Local Government: Municipal Systems Act (Act 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter-alia, rates on property; and

1.7 In terms of section 62 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Manager must ensure that the municipality has and implements a rates policy.

PART TWO: DEFINITIONS

All words and phrases in this policy shall have the same meaning and interpretation as assigned in terms of the Local Government: Municipal Property Rates Act, Act 6 of 2004, and unless the context indicates otherwise:-

Act	Means the Local Government: Municipal Property Rates Act (Act 6 of 2004), as amended.
Agent	In relation to the owner of a property, means a person appointed by the owner of the property: (a) to receive rental or other payments in respect of the property on behalf of the owner; or (b) to make payments in respect of the property on behalf of the owner.
Agricultural property	Means a property that is used primarily for agricultural purposes but, without derogating from section 9 of the Act, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. Agricultural property excludes formally protected areas, rural communal land and any other specified category of property. Agricultural property may fall within a proclaimed township.
Annually	Means once every financial year.
Appeal board	Means a valuation appeal board established in terms of

	section 56 of the Act.
Assistant municipal valuer	Means a person designated as an assistant municipal valuer in terms of section 35(1) of the Act.
Bed and Breakfast	Means an establishment, which is primarily a dwelling and makes excess rooms available to transient guests. The bathrooms may or may not be en suite. This establishment may be managed by the owner and/or designated person. Breakfast may be available for all guests. Public areas are usually shared by guests and owners/hosts alike.
Category	(a) In relation to property, means a category of properties determined in terms of section 8 of the Act; and (b) In relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Act.
Child Headed Household	Means a household recognized as such in terms of section 137 of the Children's Amendment Act, 41 of 2007.
Commercial, Business and Industrial Properties	Means properties covered in section 8(2) of the Act namely, industrial properties, business and commercial properties, farm properties used for other business and commercial purposes, small holdings used for business, industrial and commercial purposes. This category of property includes property used for eco-tourism/hospitality purposes, grain co-ops and grain silos, cell phone towers, mines, petrol filling stations, racetracks and shopping centers.

Commercial Accommodation	Means lodging or board and lodging, in any house, flat, apartment, room, hotel, motel. Inn, Guesthouse, bed & breakfast, boarding house, residential holiday resort establishment, student accommodation or similar establishment which is regularly or systematically supplied but excludes a domicile
Constitution	A body of fundamental principles or established precedents according to which our State is governed and as embodied and promulgated per Act 108 of 1996.
Data-collector	Means a person designated as a data-collector in terms of section 36 of the Act.
Date of valuation	Means the date determined by a municipality in terms of section 31(1) of the Act.
Day	Means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday.
Disabled	Means a person who qualifies to receive relief in terms of the Social Services Act, 1992 (Act No. 59 of 1992) or has been certified as disabled by a medical practitioner and qualifies in terms of the income threshold as defined in the Council's Customer Care Policy.
Disaster	Means a disaster within the meaning of the Disaster Management Act (Act 57 of 2002) or any other serious adverse social or economic condition as adopted by a Council resolution from time to time.

Disaster area	Means owners of property situated within an area affected by: (a) a disaster within the meaning of the Disaster Management Act 57 of 2002; (b) any other serious adverse social or economic conditions as determined by Council from time to time;
District Municipality	Means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155 (1) of the Constitution as a category C municipality.
Dominant use	Means the use of a property is predominant in a specific use in terms of its measured building area. The use of a property is determined by the Municipal Valuer.
Effective date	(a) In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Act; or (b) In relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of he Act.
Equitable treatment of ratepayers	Means the fair, just and impartial treatment of all ratepayers.
Exclusion	In relation to a municipality's rating power, means a restriction of that power as provided for in section 17 of the Act.
Exemption	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the

	Act.
Financial year	Means the period starting from 1 July in a year to 30 June the next year.
Formally Protected Areas	Means those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 which are not developed or used for commercial, business, residential or agricultural purposes.
Garages/carports/storeroom	means sectional title units that have been separately registered at the deeds office and do not qualify for rebates or reductions
Income Tax Act	the Income Tax Act, 1962 (Act No. 58 of 1962).
Indigent owner	Means an owner of property who has permanent occupation of the property and qualifies for indigent relief in terms of the Council's Indigent policy.
Land reform beneficiary	In relation to a property, means a person who: (a) acquired the property through - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1944); (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or (c) holds or acquires the property in terms of such other

	land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after the Act has taken effect.
Land tenure right	Means a land tenure right as defined in section 1 of the upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991)
Legal entity	In law an entity is something which is capable of bearing legal rights and obligations, has a distinct separate existence.
Local community	In relation to a municipality: (a) means that body of persons comprising: (i) the residents of the municipality; (ii) the ratepayers of the municipality; (iii) any civic organisations and nongovernmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality. (b) includes, more specifically, the poor and other disadvantaged sections of such body of persons.
Local municipality	Means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality.

Market value	In relation to a property, means the value of the property determined in accordance with section 46 of the Act.
MEC for Local Government	Means the member of the Executive Council of a province who is responsible for local government in that province.
Mining property	Means property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).
Minister	Means the cabinet member responsible for local government.
Multiple purpose	In relation to a property, means the use of a property for more than one purpose, subject to section 9 of the Act.
Municipal Finance Management Act	Means the Local Government: Municipal Finance Management Act 2003 (Act N°. 56 of 2003).
Municipal Manager	Means a person appointed in terms of section 82 of the Municipal Structures Act.
Municipal owned property	Means property owned by the municipality.
Municipal leases	Means property owned by the municipality and leased to another party. The municipality reserves the right to recover municipal rates against all properties registered in the name of the municipality over which a portion or all of its property is leased either through an existing lease agreement where rates are exclusive or through the provisions of the Act. Rates payable will be based on the rates category and market value as contained in the Valuation Roll.

Municipal Structures Act	Means the Local Government: Municipal Structures Act, 1988 (Act No. 117 of 1998).
Municipal Systems Act	Means the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).
Municipal valuation	Means a valuation of a rateable property within the municipal area by the Municipal Valuer in terms of the Act.
Municipal Valuer	Means a person designated as a Municipal Valuer in terms of section 33(1) of the Act.
Occupier	In relation to a property, means a person who occupies the property, whether or not that person has a right to occupy the property.
Office bearer	In relation to places of public worship, means the primary person who officiates at services at that place of worship;
Official residence	In relation to places of public worship, means (a) a portion of the property used for residential purposes, or (b) one residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.
	Means an organ of state as defined in section 239 of the Constitution.

Organ of state

Owner

(a) In relation to a property referred to in paragraph (a) of the definition of property, means a person in whose name ownership of the property is registered;

(b) In relation to a right referred to in paragraph (b) of the definition of property, means a person in whose name the right is registered;

(bA) in relation to a time sharing interest contemplated in the property time sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the property Time Sharing Control Act, 1983, and published in Government Notice R 327 of 24 February 1984,

(bB) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980

(Act No. 59 of 1980)

(bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17 (1) (f) of the Act, means the holder of the mining right or the mining permit, and

(c) In relation to a land tenure right referred to in paragraph (c) of the definition of property , means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

d) In relation to public service infrastructure referred to in paragraph (d) of the definition of property, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled";

provided that a person mentioned below may for the purposes of the Act be regarded by a municipality as the owner of a property in the following cases:

(i) a trustee, in the case of a property in a trust excluding state trust land;

(ii) an executor or administrator, in the case of a property in a deceased estate;

(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;

(v) a curator, in the case of a property in the estate of a person under curatorship;

(vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(vii) a lessee, in the case of property that is registered in the name of the municipality and is leased by it; or

(viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right, or;

(viii) a buyer, in the case of a property that was sold

	by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.
Pensioner	Means a person that : (a) must be at least 60 years of age; (b) who is the sole owner of the property, or owner jointly with his/her spouse;
Permitted use	In relation to a property, means the limited purposes for which the property may be used in terms of - (a) Any restrictions imposed by: (i) a condition of title; (ii) a provision of a town planning or land use scheme; or (iii) any legislation applicable to any specific property or properties; or (b) Any alleviation of any such restrictions.
Person	Includes an organ of state.
Places of public worship	Means a developed property primarily used for purposes of congregation, excluding structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: provided that the property is- (a) registered in the name of the religious community; (b) registered in the name of a trust established for the sole benefit of a religious community; or

(c) subject to a land tenure right;

Prescribe	Means prescribe by regulation in terms of section 83 of the Act.
Property	Means: (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person/legal entity; (b) a right registered against immovable property in the name of a person/legal entity, excluding a mortgage bond registered against the property; (c) a land tenure right registered in the name of a person/legal entity or granted to a person/legal entity in terms of legislation; or (d) public service infrastructure.
Property register	Means a register of properties referred to in section 23 of the Act.
Protected area	Means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act.
Protected Areas Act	Means the National Environmental Management: Protected Areas Act, 2003.
Properties owned by public benefit organisations and used for specified public benefit activities;	Means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.
Publicly controlled	Means owned by or otherwise under the control of an

organ of state, including:

(a) a public entity listed in the Public Finance Management Act, 1999 (Act No.1 of 1999);

(b) a municipality; or

(c) a municipal entity as defined in the Municipal Systems Act.

Public service infrastructure

Means publicly controlled infrastructure of the following kinds:

(a) national, provincial or other public roads on which goods , services or labour move across a municipal boundary;

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

(c) power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) railway lines forming part of a national railway system;

(f) communication towers, masts, exchanges or lines forming part of a communication system serving the public;

(g) runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding

	these, which must be vacant for air navigation purposes; (h) any other publicly controlled infrastructure as may be prescribed; or (i) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (h).
Public service purposes	In relation to the use of a property, means property owned and used by an organ of state as - (a) hospitals or clinics; (b) schools, pre-schools, early childhood development centres or further education and training colleges; (c) national and provincial libraries and archives; (d) police stations; (e) correctional facilities; or (f) courts of law, but excludes property contemplated in the definition of public service infrastructure;
Rate	Means a municipal rate on property envisaged in section 229(1)(a) of the Constitution.
Rateable property	Means a property on which a municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act.

Ratio	In relation to section 19 of the Act, means the relationship between the cent amount in the rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;
Rebate	In relation to a rate payable on a property, means a discount granted in terms of section 15 of the Act on the amount of the rate payable on the property.
Reduction	In relation to a rate payable on a property, means the lowering in terms of section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount.
Register	(a) means to record in a register in terms of – (i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or (ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and (b) includes any other formal act in terms of any other legislation to record : (i) a right to use land for or in connection with mining purposes; or (ii) a land tenure right.
Residential property	Means a property included in a valuation roll in terms of section 48 (2) (b) in respect of which the primary use or permitted use is for residential purposes without derogating from section 9 of the Act;.

Rural communal property	Means agricultural or township land where there is a single cadastral holding developed predominately for residential purposes and/or traditional rural homesteads (imizi) and which may also have a variety of non-residential top structures which collectively constitute the minority in terms of measured building area, and which may be rated separately in terms of the Act. This category of property may include State Trust Land, property belonging to the Ingonyama Trust Board, property belonging to land reform beneficiaries where the dominant use is residential rather than commercial agricultural use.
Sectional Titles Act	Means the Sectional Titles Act, 1986 (Act No. 95 of 1986).
Sectional title scheme	Means a scheme defined in section 1 of the Sectional Titles Act.
Sectional title unit	Means a unit defined in section 1 of the Sectional Titles Act.
Sectional title garages/ Carports/ storerooms	Means sectional title units that have been separately registered at the deeds office and do not qualify for rebates or reductions.
Specialised non-market properties	Means property including national monuments, schools (both state and private), crèches, cemeteries/crematorium, prisons, law courts, libraries, military bases, police stations, sports clubs including stadiums, public open spaces including parks, vacant land to be used for these purposes. Other non-market

	properties may be assigned to this category by the Municipal Valuer in consultation with the municipality.
State trust land	Means land owned by the State: (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure; (b) over which land tenure rights were registered or granted; or (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).
Trading Services	Shall include property used by the Municipality's Electricity Department, Municipal Parking Areas/Buildings, Municipal Entities, property used by the Municipality's water, refuse and sanitation departments:
Vacant Land	means land that has not been developed with any permanent structures.

PART THREE: THE PURPOSE OF THE POLICY

3. The purpose of this policy is to:

3.1 Comply with the provisions of the Act, specifically with section 3 thereof;

3.2 Give effect to the principles outlined hereunder;

3.3 Ensure the equitable treatment of persons liable for rates;

3.4 Determine the basis for valuation and to prescribe procedures for the implementation of the Act;

3.5 Determine criteria for different property use categories to apply differential rates;

3.6 Determine or provide criteria for the determination of categories of owners of properties;

3.7 Determine criteria to be applied for granting relief in the form of exemptions, rebates and reductions to categories of properties and categories of owners;

3.8 Determine measures to promote local economic and social development; and

3.9 Identify which categories of properties the municipality has elected not to rate as provided for in section 7 of the Act.

PART FOUR: FUNDAMENTAL PRINCIPLES OF THIS POLICY

The principles of the Act are to regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair valuation method of properties; to make provision for an objection and appeal process.

The principles of the policy are to ensure that:

4.1 The power of the municipality to impose rates on property within its area will not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities or the national mobility of goods, services, capital or labour as prescribed in terms of section 229 of the Constitution;

4.2 All ratepayers will be treated equitably;

4.3 Property rates will be assessed on the market value of all rateable properties within the jurisdiction of the municipality;

4.4 Penalties may be charged if and when necessary;

4.5 Property rates will not be used to subsidize trading and economic services;

4.6 The property rates policy will take into account relief measures to address the social and economic needs of the community;

4.7 This policy will be developed in consultation with the community and in compliance with a process of community participation in terms of Chapter 4 of the Municipal Systems Act.

PART FIVE: IMPLEMENTATION OF THIS POLICY AND EFFECTIVE DATE

5.1 This policy takes effect from 1 July 2014, being the effective date of the second valuation roll prepared by the municipality in terms of the Act, and must accompany the municipality's budget for the financial year.

5.2 The rates policy must be reviewed annually, and if necessary amended by the Council. Such amendments must be effected in conjunction with the municipality's annual budget in terms of sections 22 and 23 of the Municipal Finance Management Act.

5.3 The municipality must adopt by-laws to give effect to the implementation of its rates policy and such by-laws must be read in conjunction with this policy.

5.4 The adopted by-laws must also be reviewed annually, and if necessary be amended by the Council, in conjunction and in accordance with the rates policy.

PART SIX: EQUITABLE TREATMENT OF RATEPAYERS

6.1 The municipality is committed to treating all ratepayers on an equitable basis. The circumstances of each category of owner or category of property will be considered in a fair manner and within the limitations set out in the Act. The municipality must adopt measures to ensure equitable and fair treatment of ratepayers.

6.2 Any differentiation in the levying of rates must not constitute unfair discrimination.

PART SEVEN: DISCRETIONARY DECISIONS ADOPTED BY THE MUNICIPALITY WITH RESPECT TO LEVYING PROPERTY RATES

It is recorded that the Council has adopted the following resolutions on 30 May 2018 (reference CM 42/30 May 2018):

7.1 To levy rates on all rateable property in its area of jurisdiction;

7.2 To determine the date of implementation as being 1 July 2019;

7.3 To determine the date of general valuation as being 2 July 2018;

7.4 To levy different cents in the rand for different use categories of rateable property;

7.5 That the categories of properties for the purpose of differential rating are those specified in this policy document;

7.6 That the criteria for the assessment of market value in terms of section 8(1)of the Act shall be dominant actual use and where the land is vacant on permitted use;

7.7 Where a property is used for multiple purposes, the Municipality will assign the appropriate categories listed in **clause 8.2** to the different purposes for which the property is used.

PART EIGHT: CATEGORIES OF PROPERTIES FOR DIFFERENTIAL RATING PURPOSES

8.1 Section 8 of the Act provides that a municipality may, subject to section 19 of the Act and in terms of criteria set out in its rates policy, levy different rates for different specified categories of rateable property.

8.2 For the purposes of section 8 of the Act, the following categories of rateable property have been determined, being:

8.2.1 Residential property;

8.2.2 Business and commercial ;

8.2.3 Industrial property;

8.2.4 Agricultural property;

8.2.5 Public service infrastructure;

8.2.6 Mining property;

8.2.7 Rural communal property

8.2.8 Formally protected areas;

8.2.9 Places of public worship;

8.2.10 Public Benefit Organizations;

8.2.11 Properties used for multiple purpose, subject to section 9;or

8.2.12 Properties owned by on organ of state and used for public service purpose;

8.2.13 Vacant land.

8.2.14 Unauthorized or illegal Development or use/and abandoned property or building

8.3 It is recorded that in terms of section19 of the Act, a municipality may not levy:

8.3.1 different rates on residential properties, except as provided for in sections 11(1)(b), 21 and 89 of the Act;

8.3.2 a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties determined in terms of section 11(1)(a) of the Act;

8.3.3 rates which unreasonably discriminate between categories of non-residential properties; or

8.3.4 additional rates except in special rating areas as provided for in section 22 of the Act.

8.4 Differential rating among the above determined categories of properties will be done by way of setting different cent amounts in the rand for each property category within the municipal budgetary processes.

8.5 The criteria for weighting the categories determined above, for the purpose of determining rate randages for each category, must take account of the following :

8.5.1 The perceived affordability factor for the different categories of property;

8.5.2 The strategic importance of a category of property with reference to the aims and objectives of the Council and the Government of the Republic as a whole (such as social, economic and developmental issues).PART

PART NINE: CATEGORIES OF OWNERS OF PROPERTY

9.1 The Municipality has determined the following categories of owners of property-

a) residential
b) pensioners
c) disability grantees
d) child headed households
e) public benefit organizations
f) bed and breakfast and guesthouse
g) land reform beneficiaries
h) municipal
i) owners of property affected by natural and other disasters
j) vacant land
k) properties owned by an organ of state and used for public service purpose
l) Properties Situated Outside of the Proclaimed Boundaries of the Townships

PART TEN: RELIEF MEASURES FOR RATEPAYERS

10.1 The municipality has considered the need and desire to grant relief to specific categories of owners of properties and owners of specific categories of properties with a view to providing appropriate measures to alleviate the rates burden on them.

10.2 The municipality will not grant relief in respect of the payment of rates other than by way of an exemption, rebate or reduction provided for in this policy and granted in terms of section 15 of the Act to:

10.1.1 A specified category of properties; or
10.1.2 A specified category of owners of property as provided for hereunder.

10.3 The municipality will not grant relief to the owners of property on an ad hoc or individual basis.

PART ELEVEN: RELIEF MEASURES FOR USE CATEGORIES AND CATEGORIES OF OWNERS OF PROPERTY.

The municipality has identified the following use categories of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions to the owners of these categories of property in terms of section 15 of the Act:

The municipality has identified the following categories of owners of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions in terms of section 15 of the Act:

11.1 Indigent Owners		
11.1.1 Criteria	In order to qualify for the indigent subsidy as an indigent owner, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	Not own any other property within Newcastle municipality;
	(d)	Have an income threshold as defined in the Indigent policy;
	(e)	Make application annually on the prescribed form and within the prescribed period, if so required.
11.1.2 Rebate Granted	Percentage Rebate	A subsidy will be granted dependent on budgetary affordability factors.

11.2 Pensioner Owners		
11.2.1 – Criteria	In order to qualify as a pensioner owner, the owner must:	
	(a)	Be at least 60 years of age; Be the sole owner of the property or own the property jointly with his/her spouse; Live permanently on the property.
	(b)	In the case of the co-ownership of a property other than in terms of marriage in community of property all the owners in their individual capacities must meet

		the applicable qualifying criteria for a Senior Citizen; and The property must be registered jointly in the names of the applicant and the co-owner (who must be a natural person) in equal and undivided shares.
	(c)	Not be granted more than one pensioner rebate at a time.
	(d)	The rebate will lapse on death of the applicant if the owns 100% of the property, on date of transfer, applicant ceases to reside permanently on the property.
	(e)	In the case of a property registered in the name of a trust The application must be made by the trustee(s) of the trust and; All the beneficiaries of the trust must meet the above criteria The trustee must submit with the application for the rebate certified copies of: Title deed of the property The trust deeds; and Any document amending the trust deed; and The current letters of Authority in respect of the trust. Make application annually on the prescribed form and within the prescribed period.
11.2.2 – Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.3 Disabled Owners		
11.3.1 – Criteria	In order to qualify as a disabled person, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	May not own any other property within the Newcastle municipality;

	(d)	Have an income threshold as defined in the Council's Customer Care Policy;
	(e)	Make application annually on the prescribed form and within the prescribed period.
11.3.2 – Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.4 Child-Headed Households		
11.4.1 Criteria	A household may be recognized as a child-headed household if it is deemed to fit the definition as contained at the beginning of this policy, and the owner must :	
	(a) Live permanently on the property;	
	(b) May not own any other property within the Newcastle municipality;	
	(c) Make application annually on the prescribed form and within the prescribed period.	
11.4.2 Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.5 Rural communal property	
Criteria	Agricultural or township land where there is a single cadastral holding developed predominately for residential purposes and/or traditional rural homesteads (imizi) and which may also have a variety of non-residential top structures which collectively constitute the minority in terms of measured building area, and which may be rated separately in terms of the Act. This category or property may include State Trust Land, property belonging to the Ingonyama Trust Board, property belonging to land reform beneficiaries where the dominant use is residential rather than commercial agricultural use.
Relief Granted	Any non-residential portion, unregistered, which vests in another party may be separately identified, valued and rated. For the first general valuation cycle the residential

	component of rural communal land will be valued as vacant and will be rated accordingly. Exemption will be extended to all rural communal land which has not been separately identified, valued and rated.	
11.5.2 Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.6 Properties owned by public benefit organisations and used for specified public benefit activities;		
11.6.1 Criteria	In order to qualify applicants shall produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the 9th Schedule to the Income Tax Act, 1962 (Act 58 of 1962)	
	(a)	Make application in writing annually in the prescribed format;
	(b)	Provide proof of ownership of the property and registration as a Public Benefit Organisation in terms of the Income Tax Act conducting one or more of the following specified public benefit activities listed in Part 1 of the 9th Schedule: • welfare and humanitarian; or • health care; or • education.
11.6.2 Relief granted	Properties meeting the above criteria shall be exempted from the payment of rates.	

11.7 Agricultural Properties
When considering criteria to be applied in respect of any relief for properties used for agricultural purposes a municipality must take into account: (a) The extent of services provided by the municipality in respect of such properties; (b) The contribution of agriculture to the local economy; (c) The extent to which agriculture assists in meeting the service delivery and development obligations of the municipality; and (d) The contribution of agriculture to the social and economic welfare of farm workers.

In order to qualify for the rebates detailed hereunder, the Farmers Association/s within the municipal jurisdiction shall present a submission motivating for the criteria as listed above within the prescribed time frame. All owners of agricultural properties within the municipality will receive relief based upon this evidence as determined through the municipal budgetary processes. Failure on behalf of the relevant Farmers Association to submit this evidence will leave the municipality without a basis for the consideration of relief for this property sector in terms of the prescribed criteria.		
11.7.1 Rebate granted	Percentage rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.8 Properties Situated Outside of the Proclaimed Boundaries of the Townships		
11.8.1 Criteria	The owner of a property situated outside of the proclaimed boundaries of the townships within the municipality, excluding properties categorized as agricultural properties, rural communal land and public service infrastructure, shall receive a rebates, that may be applicable, a rebate in lieu of the limited municipal services available to such properties.	
11.8.2 Rebate granted	Percentage rebate	Properties used for residential purposes a 60 percentage is applicable Ratable vacant land 40 percentage rebate A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.9 It is recorded that in terms of section 17(1)(h) of the Act that the levying of rates on the first R 85, 000 of the market value of a residential property is impermissible.

11.10 The municipality may, in its budget, extend this relief through a further reduction in market value of residential property depending upon affordability factors determined by the Council.

11.11 Residential Properties with a Market Value Below a Prescribed Municipal Valuation Threshold	
11.11.1 Criteria	The owner of a property assigned to a category determined by this policy for residential purposes with a municipal valuation below a threshold to be determined annually through the budgetary process shall be exempted from the liability for the payment of rates. In other words a further discretionary reduction may be applied to the residential category of properties in additional to the first R 85, 000 of the market value which is a prescribed impermissible rate.
11.11.2 Relief granted (Impermissible rate + reduction)	The owner of a property meeting the above criteria is exempted from the payment of rates.

11.12 Properties Affected by a Disaster or other serious adverse social or economic conditions			
11.12.1 – Criteria	In order to qualify as a disaster or other serious adverse social or economic conditions owner, the owner must qualify in terms of the following:		
	(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or	
	(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.	
11.12.2 – Rebate Granted	Percentage Rebate		A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.13 Bed and Breakfast establishments			
11.13.1 – Criteria	In order to qualify for a rebate as a Bed and Breakfast Establishment:		
	(a)	The applicant must provide details of the establishment in respect of total size of developed property, total number of rooms and facilities available to guests.	
	(b)	An annual application must be made by 30 April preceding the start of the new financial year for which relief is sought.	
	(c)	The applicant must attach a copy of their current Certificate of Membership of the Local Tourism Authority.	
11.13.2 – Rebate Granted	Percentage Rebate		A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.14 Municipal Properties	
11.14.1- Criteria	All Municipal owned properties are exempted from property rates, except for: (a) Trading services (b) All property owned by an owner as defined in this policy.
11.14.2 Relief granted	Properties meeting the above criteria shall be exempted from the payment of rates.

11.15 Commercial/Industrial Development		
11.15.1 – Criteria	This benefit is meant for new businesses/commercial developments who will be investing in the Newcastle area and where the property has/will have a market value of at least R 50 million at the start of business, in the establishment of newly improved sites. • From years 0 – 4 = 40% rebate • From years 5 – 6 = 25% rebate • From years 7 – 8 = 10% rebate • From year 9 onwards = 0% rebate	
	(a)	Application must be submitted to the Chief Financial Officer before or within the first three months of the new financial year (July to September) in the first year of application.
	(b)	An annual application must thereafter be made by 30 May preceding the start of each new financial year for which relief is sought.
	(c)	The applicant must attach to their annual application, a copy of their current Business Licence as well as a set of the company's audited financial statements.
11.15.2 – Rebate Granted	Percentage Rebate	The above rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.16 It is recorded that the market value of a property for the purpose of levying rates be capped at a value to be determined by Council from time to time.

PART TWELVE: COMMUNITY PARTICIPATION

12.1 It is recorded that the municipality may only adopt its rates policy or any amendment thereof or any review of its policy after following a process of community participation in accordance with Chapter 4 of the Municipal Systems Act, as well as sections 4 and 5 of the Act. These provisions include:

12.1.1 Building capacity of the local community to enable it to participate in the affairs of the municipality; and

12.1.2 To foster community participation for which the municipality will allocate funds in its budget for such processes.

12.2 Participation by the local community in municipal affairs will take place through the political structures of the municipality; the mechanisms, processes and procedures for participation in municipal governance and any other appropriate mechanisms processes and procedures established by the municipality.

12.3 The municipality will provide for:

12.3.1 The receipt, processing and consideration of petitions, objections and comments lodged by the members of the local community;

12.3.2 Public meetings and hearings by the Council and other political structures (e.g. ward committees) and political office bearers of the municipality;

12.3.3 Consultative sessions with locally recognized community organizations and where appropriate traditional authorities.

12.4 Communication with the public relating to the rates policy will be in terms of section 4(2) of the Act by notice in:

12.4.1 Local newspapers circulating in its area and determined by the council as a newspaper of record; and/or

12.4.2 Official notice boards and other public places accessible to the public including the library and the municipal offices; and

12.4.3 Inviting the local community to submit comments and representations within the time specified in the notice;

12.4.4 Publication of the relevant documentation of the municipal website.

PART THIRTEEN: RECOVERY OF RATES

13.1 The following shall be liable for the payment of rates levied by the municipality:

13.1.1 Owner of a property;

13.1.2 Joint owners of a property, who shall be liable jointly and severally;

13.1.3 The owner of a sectional title unit; and

13.1.4 In relation to agricultural properties:

13.1.4.1 any one joint owner of the agricultural property for all the rates levied on the agricultural property; or

13.1.4.2 Each individual joint owner for that portion of rates levied on the joint owner's undivided share in the agricultural property, whichever option the municipality may choose in relation to agricultural properties.

13.2 In terms of section 26 of the Act the municipality will recover rates:

13.2.1 on an installment basis; or annually, as may be agreed between the parties.

13.3 The municipality will furnish each person liable for the payment of rates with a written account in terms of section 27 of the Act.

13.4 The municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of section 28 of the Act.

13.5 The municipality may recover rates due, either whole or in part, from the agent of the owner if this is more convenient for the municipality and in terms of section 29 of the Act.

13.6 Rates must be paid on or before a date determined by the municipality. The municipality may impose interest on overdue amounts.

13.7 The procedures regarding the determination of rates or any portion that are outstanding and the processes to be followed to recover such amounts are contained within the municipality's Customer Care, Credit Control and Debt Collection Policy.

PART FOURTEEN: CONSOLIDATION AND APPORTIONMENTOF PAYMENTS

14. Separate accounts of persons liable for payment to the municipality for either rates or services may be consolidated in one account and any appropriation of payments will be done in accordance with the municipality's Customer Care, Credit Control and Debt Collection Policy.

PART FIFTEENTEEN: DEFERMENT OF RATES

15. The municipality may on application defer the payment of rates in terms of section 26(3) of the Act, but only in special circumstances which may be prescribed by the Council.

PART SIXTEEN: IMPERMISSIBLE RATES IN TERMS OF SECTION 17 OF THE ACT

16. It is recorded that the municipality may not, in terms of section 17 of the Act levy a rate on:

16.1 the first 30% of the market value of public service infrastructure;

16.2 Any property referred to in paragraphs (a) (b) (e) (g) and (h) of the definition of "public service infrastructure."

16.3 the first R 85 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality –

(i) for residential properties; or

(ii) for properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

16.4 A property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered

fin the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

16.5 The Minister, acting with the concurrence of the Minister of Finance, may from time to time by notice in the *Gazette*, increase the monetary threshold referred to in subsection 15.3 to reflect inflation.

16.6 The Minister may, by notice in the *Gazette,* lower the percentage referred to in subsection 15.1 but only after consultation with –

(i) Relevant Cabinet members responsible for the various aspects of public service infrastructure;

(ii) Organized local government; and

(iii) Relevant public service infrastructure entities.

16.7 The exclusion from rates of a property referred to in subsection 15.4 lapses if the property –

(i) Is disposed of by the religious community owning it; or

(ii) Is no longer used primarily as a place of public worship by a religious community or, in the case of an official residence contemplated in that subsection, is no longer used as such an official residence.

16.7.1 If the exclusion from rates of a property used as such an official residence lapses, the religious community owning the property becomes liable to the municipality concerned for any rates that, had it not been for subsection 15.3 would have been payable on the property during the period of one year preceding the date on which the exclusion lapsed.

16.7.2 The amount for which the religious community becomes liable in terms of paragraph 15.7.1 must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

PART SEVENTEEN: CONSTITUTIONALLY IMPERMISSIBLE RATES

17. The Act provides that in terms of section 229(2)(a) of the Constitution a municipality may not exercise its power to levy rates on property in a way that would materially an unreasonably prejudice -

17.1 national economic policies;

17.2 economic activities across its boundaries; or

17.3 the national mobility of goods, services, capital or labour.

PART EIGHTEEN: NEWLY RATED PROPERTY

18 Any property which has not previously been rated must be phased in over a period of three financial years subject to the condition that:

18.1 property registered in the name of a land reform beneficiary must be phased in after the exclusion period referred to in section 17(1)(g) of the Act;

18.2 The phasing in period shall be as set out in the following table:

Applicable rates for newly rateable properties to be phased in over three years

Year	Percentage Rates Payable
First	25%
Second	50%
Third	75%

PART NINETEEN: TRANSITIONAL ARRANGEMENT: PUBLIC SERVICE INFRASTRUCTURE

19.1 The prohibition on the levying of rates on public service infrastructure referred to in section 15.2 must be phased in over a period of 5 municipal financial years, with effect from 1 July 2015;

19.2 the rates levied on the property must

19.2.1 in the first year, must be no more than 80 percent of the rate for that year otherwise applicable to that property;

19.2.2 in the second year, must be no more than 60 percent of the rate for that year otherwise applicable to that property;

19.2.3 in the third year, must be no more than 40 percent of the rate for that year otherwise applicable to that property;

19.2.4 in the fourth year, must be no more than 20 percent of the rate for that year otherwise applicable to that property;

19.2.5 in the fifth year, must be no more than 10 percent of the rate for that year otherwise applicable to that property;

NEWCASTLE MUNICIPALITY

INDIGENT POLICY

PREAMBLE

Whereas the municipality receives an equitable share contribution from National Treasury annually;

And whereas the National Department of Provincial and Local Government has issued guidelines regarding indigent support;

And whereas the municipal council wishes to give access to basic services for all of its communities;

Now therefore the municipal council of NEWCASTLE adopts the following Indigent Policy.

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DEFINITIONS

1. In this policy, unless inconsistent with the context –

"**account holder**" means any person over 16 years of age who is responsible for the family unit and/or for the payment of any services accounts.

"**commercial activity**" means any activity for profit or gain.

"**financial year**" means the financial year of the municipality that runs from July to June.

"**indigent**" means a household earning a combined total monthly income as determined by Council from time to time.

"**industrial activity**" means any activity that involves the manufacturing or production of a product.

"**municipality**" means the Newcastle Municipality.

"**resident**" means a person or family unit that ordinarily resides within the area of jurisdiction of Newcastle Municipality either within their own or leased accommodation.

PURPOSES OF THE INDIGENT POLICY

2. (1) The purposes of the indigent policy are to:

(a) provide basic services to the community within the financial and administrative capacity of the municipality;

(b) provide procedures and guidelines for the subsidisation of basic service charges to indigent households using the equitable share allocation received from National Treasury and other budgetary provisions;

(c) ensure affordability by subsidising tariffs calculated in terms of the municipality's tariff policy and by setting appropriate service levels in accordance with the municipality's service delivery plan.

CRITERIA FOR QUALIFICATION

3. (1) In order to qualify for indigent support the following criteria must be met:

(a) The verified monthly income of all household occupants over 18 years of age may not exceed the amount approved by Council during the annual budget process, the amount will be after statutory deductions of PAYE and UIF;(the amount should be a minimum of twice the state pension amount);

(b) The verified monthly household income of a pensioner (after statutory deductions of UIF and PAYE) between R3500 and R5000 may qualify for a reduced indigent subsidy;

(c) The accountholder must complete an official application form and provide the required documentary proof;

(d) The account holder must reside in the municipal area and may not conduct any commercial or industrial activity from the property;

(e) The applicant must be the full-time occupant and may not own any other property, whether in or out of the municipal area, unless such property is vacant or is improved and held for investment purposes and an economical rental is obtained therefrom and is included in the gross monthly income.

(f) The application will be approved by the municipality after the information supplied has been verified and recommended by the respective ward councillor;

(g) An indigent account holder must immediately request de-registration if his/her circumstances have changed to an extent that s/he no longer qualifies for indigent support;

(h) All applicants shall be notified by sms with regard to the outcome of their application;

(i) In the event that the approved accountholder passes away, the heir/s of the property must re-apply for indigent support provided they qualify in terms of the stipulated criteria;

(j) Council reserves the right to send officials to premises/households for the purpose of conducting an on-site audit of the details provided as well as for indigent audit purposes.

(k) The rates account of a household where the account holder is deceased, i.e. an "estate late" account, may be accepted, on condition that only the surviving spouse and/or dependent children ~~or~~/ legal representative on their behalf, may apply;

(l) Where an existing indigent account holder is now deceased, the "estate late" owner account can continue to benefit as an indigent account provided that the surviving spouse and/or dependent children, as included in the original application, apply for and qualify for indigent support as a legal tenant.

(2) The following documents are compulsory and must be attached to all application forms:

a) Identity Book;

b) Proof of income, i.e. pension / government grant card / pay slip etc., if applicable; or if over 18 and unemployed, a letter from Department Labour and Bank verification form;

c) Names and identity books of all persons over the age of 18 residing on the property;

d) Three month's bank statements, if applicable.

(3) The following additional documentation must be attached; where applicable depending on the individual circumstances:

(a) SASSA pensioners: SASSA card together with ATM/ bank slip/ purchase slip dated within the past month to indicate that the card is still current;

(b) A Bank verification form must be filled in;

(c) A sworn affidavit or legal proof regarding their separation if a married couple is no longer living together but not yet officially divorced;

(d) Any relevant death certificates should the house be registered in both partners name;

(e) Retrenchment letter;

(f) Decree of divorce;

(g) Marriage certificate;

(h) Letter of authority order / memorandum from DPHS or the Will.

EXTENT OF INDIGENT SUPPORT

4. (1) Subsidies will be limited to rates, water, refuse removal, electricity and sewerage disposal services.

(2) Subsidies will be determined during the compilation of the annual budget.

(3) The source of funding of the indigent subsidy is that portion of the equitable share contribution received from National Treasury and any additional provisions made by council and provided for in the annual operating budget.

(4) The subsidy will only be credited to the qualifying customer's accounts until the amount provided on the budget has been exhausted.

(5) The following table depicts the extent of the indigent subsidy granted to approved indigent consumers:

Service	Subsidy for indigent customer where household income is below R3500 per month	Subsidy for the pensioner where household income is between R3500 and R5000 per month
Rates	100% subsidy	75% subsidy
Sewer	100% subsidy	75% subsidy
Refuse	100% subsidy	75% subsidy
Water availability	100% subsidy	75% subsidy
Water consumption	6KI	6KI
Electricity availability	100% subsidy	75% subsidy
Electricity consumption	50Kwh	50Kwh

(6) If consumption per metering period (month) exceeds any of the norms stated in the table above, usage will be restricted and the accountholder will be obliged to pay for such excess consumptions at the applicable normal tariffs.

(7) If a customer's consumption or use of municipal service is less than the subsidised service, the unused portion may not be accrued and the customer will not be entitled to a cash rebate in respect of the unused portion.

(8) Annual service charges on the indigent's account will automatically be converted to monthly instalments.

(9) The accounts of indigent households will be exempted from interest.

(10) Where it occurs that consumers are minors due to circumstances, the support will be determined as per Council decision from time to time.

(11) Occupiers of the Government Assisted Housing Schemes are subsidised with regard to their housing instalments and rentals in terms of the National Housing Act.

(12) The municipality may make alternative energy sources available in place of electricity.

(13) It is compulsory that a prepaid electricity meter be installed for all registered indigent account holders

ARREARS ON INDIGENT ACCOUNTS

5. (1) Once an application for indigent support has been approved all arrears on the consumer account will be written off.

(2) Arrears related to excess services consumed and housing instalments or rental may be recovered through the restriction of services, either water or electricity, where applicable.

NON-COMPLIANCE OF HOUSEHOLDS REGISTERED AS INDIGENT

6. (1) When a property owner or occupier who has registered as an indigent fails to comply with any of the conditions relevant to the receipt of indigent relief, such person will forfeit his or her status as a registered indigent with immediate effect, and will thereafter be treated as an ordinary accountholder.

(2) The onus is on each registered indigent to advise the Council of such failure to comply due to the changed circumstances

(3) The indigent status of a customer will be reviewed from time to time, at intervals as determined by Council. This could be done by either physical audit or external verification check (ITC – Credit Bureau). Should the requirements not be met, the subsidy for that consumer will be cancelled.

(4) If a registered indigent is found to have provided fraudulent information to the municipality in regard to any material condition for registration as an indigent, such person shall immediately be removed from the register of indigents, and shall be liable to repay the municipality with immediate effect all indigent relief received and debt written off from the date of such fraudulent registration.

(5) Indigent support will be automatically terminated under the following circumstances:

(a) Upon identification of the death of the accountholder unless the conditions in terms of 3 (1) (k) above are met;

(b) Upon identification of the accountholder who no longer qualifies for indigent support in terms of 6 (3) above:

(c) When the indigent accountholder disposes of the property, either by sale or by means of donation, on date of vacation of the property or registration of transfer whichever occurs first.

(d) Upon termination of the lease or vacation of the premises with regard to a tenant account.

(e) Upon identification of the accountholder who no longer qualifies for indigent support in terms of this policy.

REPORTING REQUIREMENTS

7. (1) The Strategic Executive Director: Budget and Treasury Office shall report for the month concerned and, where possible, by municipal ward:

(a) the number of households registered as indigents and a brief explanation of any movements in such numbers;
(b) the monetary value of the actual subsidies and rebates granted;
(c) the budgeted value of the subsidies and rebates concerned; and
(d) the above information cumulatively for the financial year to date; and
(e) Any other detail as required by the Council.

SHORT TITLE

8. This policy shall be called the Indigent Policy of the Newcastle Municipality.

IMPLEMENTATION AND REVIEW

9. (1) The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director: Budget and Treasury Office, once approved by Council.
(2) The policy shall be reviewed annually as part of the budget process.